

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-69675; File No. SR-CBOE-2013-041)

May 30, 2013

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing of Amendment Nos. 1 and 2 and Designation of Longer Period for Commission Action on Proposed Rule Change, as Modified by Amendment Nos. 1 and 2, to Amend Rule 6.53(u)

On March 28, 2013, Chicago Board Options Exchange, Incorporated (“Exchange” or “CBOE”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² a proposed rule change to amend CBOE Rule 6.53(u), which governs Qualified Contingent Cross (“QCC”) Orders. The proposed rule change would allow QCC Orders with more than one option leg to be entered in the increments specified for complex orders under CBOE Rule 6.42. The proposed rule change was published for comment in the Federal Register on April 16, 2013.³ The Commission has received no comment letters on the proposal. On April 18, 2013, CBOE filed Amendment No. 1 to the proposed rule change.⁴ On May 29, 2013, CBOE filed

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 69360 (April 10, 2013), 78 FR 22591 (“Notice”).

⁴ In Amendment No. 1, CBOE added an additional paragraph at the end of the purpose section stating that: (1) a QCC Order with multiple legs is a form of a complex order and should be able to be entered in \$0.01 increments, as non-QCC complex orders can currently be entered in \$0.01 increments; and (2) such orders still cannot trade unless they are at or between the NBBO and the opportunity to trade QCC Orders with multiple legs in \$0.01 increments provides an opportunity for price improvement at this smaller increment level. The paragraph added in Amendment No. 1 was deleted and replaced by language added in Amendment No. 2. See note 5 infra. The text of Amendment No. 1 is available on CBOE’s website (<http://www.cboe.com/AboutCBOE/CBOELegalRegulatoryHome.aspx>), at CBOE’s Office of the Secretary, and at the Commission’s Public Reference Room.

Amendment No. 2 to the proposed rule change.⁵ The Commission is publishing this notice to solicit comments on the proposed rule change, as modified by Amendment Nos. 1 and 2, from interested persons, and to designate a longer period for Commission action on the proposed rule change, as modified by Amendment Nos. 1 and 2.

I. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change, as modified by Amendment Nos. 1 and 2, is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-CBOE-2013-041 on the subject line.

⁵ In Amendment No. 2, CBOE replaced the paragraph added by Amendment No. 1 with two paragraphs at the end of the purpose section stating that: (1) were it not for language in CBOE Rule 6.53(u) that limits the entry of QCC Orders to the standard increments applicable to simple orders in the options class of each leg, QCC Orders with multiple legs would be allowed to be traded in \$0.01 increments under CBOE Rule 6.42; (2) the nature of the pricing of a complex order, whether a QCC Order or otherwise, is such that the pricing is based on the relative price of one option versus another and thus the standard increment of trading of a complex order's individual options legs is less relevant to the pricing of the complex order; (3) the proposed amendment to permit QCC Orders with more than one option leg to be entered in the increments specified for complex orders under CBOE Rule 6.42 (i.e., \$0.01 increments) would put the trading of QCC Orders with multiple legs on the same footing as the trading of other types of complex orders; (4) pursuant to CBOE Rule 6.53(u)(ii), each options leg of a complex QCC Order cannot trade unless each leg provides price improvement over a public customer order resting in the electronic book and is at or between the NBBO, and to date, CBOE has never had to reject a submitted complex QCC Order because it would have violated either of these principles; and (5) permitting the trading of QCC Orders with multiple legs in \$0.01 increments would provide an opportunity for price improvement at this smaller increment level. The text of Amendment No. 2 is available on CBOE's website (<http://www.cboe.com/AboutCBOE/CBOELegalRegulatoryHome.aspx>), at CBOE's Office of the Secretary, and at the Commission's Public Reference Room.

Paper comments:

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-CBOE-2013-041. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street NE, Washington D.C. 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal offices of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-CBOE-2013-041, and should be submitted on or before [insert date 21 days from publication in the Federal Register].

II. Designation of a Longer Period for Commission Action

Section 19(b)(2) of the Act⁶ provides that within 45 days of the publication of notice of the filing of a proposed rule change, or within such longer period up to 90 days as the

⁶ 15 U.S.C. 78s(b)(2).

Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or as to which the self-regulatory organization consents, the Commission shall either approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether these proposed rule changes should be disapproved. The 45th day for this filing is May 31, 2013.

The Commission is extending the 45-day time period for Commission action on the proposed rule change, as modified by Amendment Nos. 1 and 2. The Commission finds that it is appropriate to designate a longer period within which to take action on the proposed rule change so that it has sufficient time to consider and take action on the Exchange's proposed rule change, as modified by Amendment Nos. 1 and 2.

Accordingly, pursuant to Section 19(b)(2)(A)(ii)(I) of the Act⁷ and for the reasons stated above, the Commission designates July 15, 2013, as the date by which the Commission should either approve or disapprove, or institute proceedings to determine whether to disapprove, the

⁷ 15 U.S.C. 78s(b)(2)(A)(ii)(I).

proposed rule change, as modified by Amendment Nos. 1 and 2, File Number SR-CBOE-2013-041.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁸

Kevin M. O'Neill
Deputy Secretary

⁸ 17 CFR 200.30-3(a)(12) and (31).